

COMPETITION IN A MARKET ECONOMY

Competition is a determining factor in ordering prices, the incentive for innovation. It contributes to the displacement of inefficient manufacturing businesses, rational use of resources.

Competition in the market economy performs the following functions:

- function of regulation - under the influence of factors of production prices invested in those area where they felt the greatest need;
- function of motivation - companies that offer better quality for products or produce it with lower production costs, receive compensation in the form of profits;
- distribution function - to distribute income among businesses and households in accordance with their effective contribution;
- feature control - limiting the competition and control the economic power of each company.

Governing principle of "optimal intensity of competition" as the objectives of competition policy stipulates that:

- technical progress quickly circulated on the production (innovation under the pressure of competition);
- enterprise flexibly adapt to changing conditions, such as the needs of consumers (adaptation under the pressure of competition).

The scale of the intensity of competition is determined by how quickly the benefits of revenue lost as a result of successful reproduction of innovation by competitors.

Analysis of competition should begin, first of all, to identify companies that can be attributed to the circle of real or potential competitors, the study of potential competitors is the most solid value for the effect rapid growth market and not very heavy entry to it.

The most effective methods for assessing the capacity of competitors - special expert research and indirect decisions based on known data.

Competition is a necessary and crucial condition for normal functioning of a market economy.